



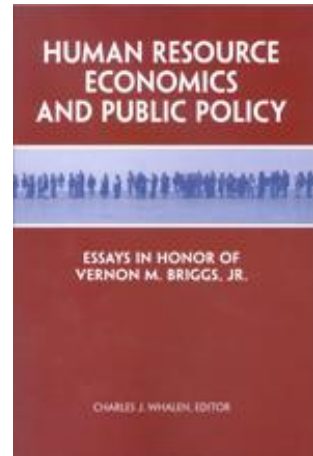
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# Immigration and the U.S. Labor Market

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# 4

## Immigration and the U.S. Labor Market

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On a typical day, about 100,000 foreigners arrive in the United States. Most are temporary migrants or visitors, including tourists, business people, students, and workers, who are welcomed at airports and border crossings. About 2,600 are legal immigrants or refugees who have been invited to become permanent residents of the United States, 94,000 are temporary visitors, and 3,200 are unauthorized foreigners, usually Mexicans, about half of whom are apprehended just inside the Mexico–U.S. border.

Vernon Briggs’s career has focused on low-wage U.S. workers. Briggs consistently urged enactment and enforcement of policies that would help low-wage workers to help themselves. The self-evident truth that “a tight labor market is a worker’s best friend” has been a cornerstone of Briggs’s analysis of immigration policy, which stresses that periods of less immigration in U.S. history were associated with faster increases in wages for low-wage U.S. workers.

This chapter provides a global and national perspective on contemporary immigration patterns. It does not prescribe but aims to show the dimensions and impacts of migration. Among the topics covered are the factors contributing to international migration, government efforts to manage immigration, trends in the types of migrants entering the United States, migration’s labor-market effects, and immigration policy trade-offs. The topics addressed are among those that figure most prominently in Briggs’s policy-oriented writings.

GLOBAL MIGRATION

Migration is the movement of people from one place to another. Migration is as old as humankind wandering in search of food, but international migration is a relatively recent development. It was only in the early twentieth century that the system of nation-states, passports, and visas developed to regulate the flow of people across borders (Torpey 1999).

International migration is the exception, not the rule. The most significant form of migration control is inertia—most people do not want to move away from family and friends. The use of passports, visas, and border controls has also given modern governments significant capacity to regulate migration, and they do. One item considered by many governments when deciding whether to recognize a new entity that declares itself a nation-state is whether it is able to regulate who crosses and who remains within its borders.

There were 190 million international migrants in 2005, meaning that 3 percent of the world’s people left their country of birth or citizenship for a year or more (Table 4.1). The number of international migrants increased by almost 4 million a year between 1995 and 2005, with almost all of the increase in high-income countries.

Most of the world’s 6.7 billion people never cross a national border; most live and die near their place of birth. Those who cross national borders usually move to nearby countries, such as from Mexico to the United States or from Turkey to Germany. There were 62 million migrants from developing countries in industrial countries in 2005, but almost as many migrants, 61 million, had moved from one developing country to another, such as from Indonesia to Malaysia. There are also large flows of people from one industrial country to another, for ex-

Table 4.1 International Migrants in 2005 (millions)

Origin country	Destination country	
	Industrial	Developing
Industrial	53	14
Developing	62	61

SOURCE: United Nations Population Division (2006).

ample, from Canada to the United States, and much smaller flows from industrial to developing countries, such as Japanese who work or retire in Thailand (United Nations Population Division 2006).

## PERSPECTIVES ON MIGRATION

International migration is likely to increase for reasons that range from persisting demographic and economic inequalities to improvements in communications and transportation that increase mobility. There are also more borders to cross. There were 193 generally recognized nation-states in 2000, four times more than the 43 in 1900.<sup>1</sup> Each nation-state distinguishes citizens and foreigners, has border controls to inspect those seeking entry, and determines what foreigners can do while inside the country, whether they are tourists, students, guest workers, or immigrants.

Most countries discourage immigration, meaning that they do not encourage foreigners to settle and become naturalized citizens. Some also discourage emigration; for example, Communist nations attempted to prevent emigration between 1961 and 1989, and North Korea continues to try to keep its citizens from leaving.

There are five major countries that do plan for the arrival of immigrants: the United States, which accepted 1.2 million immigrants in 2006; Canada (250,000); Australia (125,000); New Zealand (50,000); and Israel (25,000).<sup>2</sup> The number of newcomers arriving in industrial countries exceeds the planned 1.6 million a year, suggesting that many of these newcomers are temporary visitors or unauthorized foreigners who find ways to settle despite not arriving as immigrants.

Perspectives on the rising number of migrants can be framed by two extremes. At one extreme, the *Wall Street Journal* advocates a five-word amendment to the U.S. constitution: "There shall be open borders."<sup>3</sup> Organizations ranging from the Catholic Church to the World Bank have called for more migration, arguing that people should not be confined to their countries of birth by national borders and that more migration would speed economic growth and development in both the sending and the receiving countries.

At the other extreme, virtually every industrial country has organizations such as the U.S.-based Federation for American Immigration Reform (FAIR), which calls for sharp reductions in immigration on the grounds that unskilled newcomers hurt low-skilled U.S. workers, have negative environmental effects, and threaten established U.S. cultural values. Many European countries have political parties that call for reducing immigration, such as the National Front in France, which proposed (during the 1995 presidential campaign) removing up to 3 million non-Europeans from France to reduce the number of Muslim residents.<sup>4</sup>

The first step toward making migration a manageable challenge is to understand why people migrate. Most people do not want to cross national borders to settle in another country, and, even though the number of migrants is at an all-time high, international migrants are (as mentioned above) just 3 percent of the world's residents. Furthermore, economic growth can turn origination nations into destination nations, as has been seen recently in Ireland, Italy, and Korea. The challenge is to manage migration in a way that reduces the differences that encourage people to cross borders and to understand how investment, remittances, and aid can stimulate economic development and reduce migration pressures.

## **DIFFERENCES AND NETWORKS**

Differences in demographic and economic conditions encourage people to cross national borders, and their movements have been eased by revolutions in communications, transportation, and rights.

Most of the world's people and most of the population growth are in developing countries. The world's population, which reached 6 billion in October 1999, is growing by 1.3 percent or 80 million a year, with 97 percent of the growth in developing countries.<sup>5</sup> In the past, significant demographic differences between areas prompted large-scale migration. For example, Europe had 21 percent of the world's almost 1 billion residents in 1800 and the Americas had only 4 percent (Table 4.2). When there were five Europeans for every American, millions of

**Table 4.2 World Population by Continent, 1800, 2000, and 2050 (percent shares)**

	1800	1999	2050 <sup>a</sup>
World (millions)	978	5,978	8,909
Africa	11	13	20
Asia	65	61	59
Europe	21	12	7
South America, Latin America, and Caribbean	3	9	9
North America	1	5	4
Oceania	0	1	1

NOTE: Columns may not total 100 due to rounding.

<sup>a</sup> Projected.

SOURCE: United Nations Population Division (1999, table 2).

Europeans emigrated to North and South America in search of economic opportunity as well as religious and political freedom.

Will history repeat itself? Africa and Europe have roughly equal populations today, but by 2050, Africa is projected to have three times more residents. If Africa remains poorer than Europe, the two continents' diverging demographic trajectories may propel young people from overcrowded cities such as Cairo and Lagos to move to Berlin and Rome.

The economic differences that encourage international migration have two dimensions, one fostered by inequality between countries and the other by inequality within. The world's almost 200 nation-states have annual per-capita incomes that range from less than \$250 per person to more than \$50,000, a difference that provides a significant incentive (especially for young people) to migrate for higher wages and more opportunities (World Bank 2009).<sup>6</sup>

The 30 highest income countries had a total of 1 billion residents in 2005, about one-sixth of the world's population; their combined gross national income was \$36 trillion, about 80 percent of the global \$45 trillion.<sup>7</sup> The resulting average per-capita income of \$35,000 in high-income countries was 21 times the average of \$1,750 in low- and middle-income countries. Despite rapid economic growth in some developing countries, including the East Asian "Tigers" in the 1990s and

China and India more recently, the ratio in per-capita incomes between high-income and other countries rose between 1975 and 2000 and shrank only marginally since 2000. In 2005, average per-capita income in high-income countries was 61 times higher than that in low-income countries and 13 times higher than that in middle-income countries (Table 4.3).

Another aspect of economic inequality between nation-states also adds to international migration pressures—international differences in labor force growth. The world's labor force of 3.1 billion in 2005 included 600 million workers in the high-income countries and 2.5 billion in the low-income countries. Almost all labor force growth is projected to be in lower income countries; their labor force is projected to increase by about 425 million between 2005 and 2015, whereas the labor force in high-income countries is projected to remain stable at just over 600 million (Table 4.4).

Internal inequality related to rural–urban migrations also can encourage international migration. In lower income countries, 40 percent of workers are employed in agriculture, a sector often heavily taxed despite the fact that farmers and farm workers usually have lower than average incomes.<sup>8</sup> With taxes helping to keep farm incomes less than nonfarm incomes, there is often migration from rural areas to urban areas, one of the reasons why the urban share of the world's population surpassed 50 percent for the first time in 2008 (United Nations Population Fund 2007).

Industrial countries had “Great Migrations” off the land, which provided workers for expanding factories, fueled population growth in cities, and added to emigration pressures. Similar Great Migrations are under way today in countries from China to Mexico, and this rural–urban migration has three implications for international migration. First, ex-farmers and farm workers are most likely to accept 3-D (dirty, dangerous, and difficult) jobs inside their countries or abroad (Martin and Midgley 2006).<sup>9</sup> Second, rural–urban migrants often have to make cultural as well as physical transitions, and many of them find the transition is as easy abroad as at home; for example, rural Mexicans may find it as easy to adapt to Los Angeles as to Mexico City. Third, domestic rural–urban migrants get one step closer to a country's exits because it

**Table 4.3 Global Migrants and Per-Capita Income Gaps, 1975–2005**

Year	Migrants (millions)	World pop. (billions)	Migrants (%)	Annual increase (millions)	Countries grouped by per capita GDP (\$)			Ratio	
					Low	Middle	High	High-low	High-mid
1975	85	4.1	2.1	1	150	750	6,200	41	8
1985	105	4.8	2.2	2	270	1,290	11,810	44	9
1990	154	5.3	2.9	10	350	2,220	19,590	56	9
1995	164	5.7	2.9	2	430	2,390	24,930	58	10
2000	175	6.1	2.9	2	420	1,970	27,510	66	14
2005	191	6.4	3.0	3	580	2,640	35,131	61	13

NOTE: The 1990 migrant stock was raised from 120 million to 154 million, largely to reflect the breakup of the USSR; 1975 income data are for 1976. 2005 data are gross national income.

SOURCE: United Nations Population Division and World Bank Development Indicators.



**Table 4.4 World, Developed Country, and Less Developed Country Economically Active Populations (EAP), 1980–2020**

	1980	1985	1990	1995	2000	2005	2010	2015	2020
World EAP	1,929,556	2,160,150	2,405,619	2,604,941	2,818,456	3,050,420	3,279,373	3,481,270	3,651,283
More dev. EAP	522,683	544,271	568,832	573,626	589,151	604,521	613,388	611,392	602,977
Less dev. EAP	1,406,873	1,615,879	1,836,787	2,031,315	2,229,305	2,445,899	2,665,986	2,869,878	3,048,307
Change (%)	1980–1990	1990–2000	2000–2010	2010–2020					
World EAP	25	21	17	17					
More dev. EAP	9	5	4	5					
Less dev. EAP	31	26	21	20					

SOURCE: International Labour Office (2009).

is usually easier to obtain visas and documents for legal migration—and to make arrangements for illegal migration—in the cities.

Differences encourage migration, but it takes networks or links between areas to encourage people to move. Migration networks are a broad concept, and they include communication factors that enable people to learn about opportunities abroad as well as the migration infrastructure that actually transports migrants over national borders and even the rights regime that allows them to remain abroad. Migration networks have been shaped and strengthened by revolutionary changes in each of these areas (communications, transportation, and rights) during the past half-century.

### **Communications and Transportation**

The communications revolution helps potential migrants to learn about opportunities abroad. The best information comes from migrants that are already established abroad because they can provide family and friends with information in an understandable context. Cheaper communications enable migrants to quickly transmit job information as well as advice on how to cross national borders to friends and relatives at home. For example, information about vacant California farm jobs may be received in rural Mexico, thousands of miles away, before it spreads to nearby cities that have unemployment rates of over 20 percent.<sup>10</sup> Meanwhile, films and television programs depicting life in high-income countries may encourage people (especially younger people) to assume that the grass is greener abroad and that migration will lead to economic betterment.<sup>11</sup>

The transportation revolution highlights the declining cost of travel. British migrants unable to pay one-way passage to North American colonies in the eighteenth century often indentured themselves, signing contracts that obliged them to work for three to six years for whoever met the ship and paid the captain. Transportation costs today are far less, typically less than \$2,500 to travel anywhere in the world legally, and \$1,000 to \$20,000 for unauthorized migration. Most studies suggest faster payback times for migrants today, so that even migrants who pay high smuggling fees can usually repay them within two or three years.

## Managing Migration via Rights

The communications and transportation revolutions help migrants to learn about opportunities and to cross national borders, while the rights revolution affects their ability to stay abroad. After World War II, most industrial countries strengthened the constitutional and political rights of people within their borders to prevent a recurrence of fascism, and most granted social or economic rights to residents in their evolving welfare states without distinguishing citizens from migrants.

As migration increased in the 1990s, policymakers began to roll back certain rights, especially socioeconomic rights, for migrants in an effort to manage migration. For example, many European governments (Germany, for example) put liberal asylum provisions into their post-war constitutions to avoid another situation similar to when refugees perished because other countries returned them to Nazi Germany. In the early 1990s, over 1,000 foreigners a day were applying for asylum in Germany. The government distributed them throughout the country and required local communities to provide them with housing and food. Because more than 90 percent of these were eventually found not to be in need of protection, there was a backlash that included attacks on foreigners.

The German government responded in three ways: 1) it required nationals of the countries of origin of asylum seekers (such as Turkey) to obtain visas, allowing pre-screening; 2) it imposed fines on airlines bringing foreigners to Germany without visas and other documents; and 3) it and other European Union countries agreed to make it difficult for foreigners from “safe” countries (or who transited through safe countries en route to Germany) to apply for asylum.<sup>12</sup> In this way, the constitutional protection of asylum was maintained, but by making it harder to apply, they reduced the number of applicants.

In the 1990s, the United States debated the cost of providing welfare or social assistance to legal and unauthorized migrants. The North American Free Trade Agreement was expected to speed up economic and job growth in Mexico, reducing migration between the United States and Mexico. Instead, Mexico–U.S. migration surged during the U.S. recession of 1991–1992, prompting California voters to approve Proposition 187 in 1994 over the objections of almost all statewide

political and opinion leaders (*Migration News* 1994). The proposition called for establishment of a state-funded screening mechanism to ensure that unauthorized foreigners did not obtain state-funded services, including public-school education.<sup>13</sup>

Proposition 187 led to a national debate over immigrant numbers and rights, especially about the access of newcomers to social assistance. President Bill Clinton and those who wanted to “end welfare as we know it” argued that the number of needy migrants should be reduced to ensure continued access to welfare benefits among legal immigrants. However, employers argued that the better solution was to allow immigration to remain at high levels and reduce their access to social assistance. Employers won—immigration remained high and welfare benefits were curbed, but benefits to poor children and elderly immigrants were restored during the economic boom of the late 1990s.<sup>14</sup>

Balancing migrant numbers and migrant rights is a major challenge. Countries with the highest shares of migrants in their labor forces, such as the Gulf oil exporters, tend to extend few rights to migrants—it is very hard for a guest worker to win immigrant status and naturalize in Saudi Arabia or the United Arab Emirates. Countries with fewer guest workers, such as Sweden and other Scandinavian countries, tend to grant more rights to foreigners. The numbers–rights trade-off is apparent in World Trade Organization negotiations, where some developing countries argue that their migrant “service providers” should not have to earn the minimum wage in the destination country. Requiring payment of the minimum wage, they reason, will reduce the number of migrant workers employed (Ruhs and Martin 2008).

## U.S. MIGRATION

The United States is a nation of immigrants. Under the motto “*e pluribus unum*” (from many one), U.S. presidents frequently remind Americans that, with a few exceptions, they or their forebears share the experience of beginning anew in the land of opportunity.<sup>15</sup> Immigration

is widely considered to be in the national interest since it permits immigrants to better themselves and strengthen the United States.

For its first 100 years, the United States facilitated immigration, welcoming foreigners to settle a vast country. Beginning in the 1880s, certain types of foreigners were barred, including prostitutes, workers who arrived with contracts that tied them to a particular employer for several years, and Chinese, beginning an era of qualitative restrictions. In the 1920s, quantitative restrictions or quotas set a ceiling on the number of immigrants accepted each year.

Amendments in 1965 switched preferences from those wishing to migrate from countries in northwestern Europe to those who had relatives in the United States and those desired by U.S. employers. The origins of immigrants were not expected to change, but they did. In the 1960s, half of U.S. immigrants were from Latin America and Asia; between 2000 and 2005, 73 percent were from these regions (Martin and Midgley 2006, p. 3). Illegal immigration began rising in the 1970s, rose faster after immigration reforms in 1986, and was the first major immigration issue debated in Congress in the twenty-first century, as exemplified by debates in the Senate in 2006 and 2007 (*Migration News* 2006, 2007a).

Immigration occurs in waves, and the United States is in the midst of its fourth wave of immigrants. The first wave arrived before records were kept beginning in 1820, and most newcomers were from the British Isles. The second wave, dominated by Irish and German immigrants in the 1840s and 1850s, challenged the dominance of the Protestant church and led to a nativist backlash against Catholics and immigrants.

The third wave, between 1880 and 1914, brought more than 20 million immigrants to the United States, an average of 650,000 a year. Most of these southern and eastern European immigrants found jobs in factories in the cities of the Northeast and Midwest, where Americans leaving the farm sometimes joined them. Third-wave immigration was slowed first by World War I and then by quotas in the 1920s.

The fourth and current wave began with immigration reforms put in place in 1965. Since then, immigration has increased at an accelerating rate. The average annual inflow of legal immigrants was 250,000 in the 1950s, 330,000 in the 1960s, 450,000 in the 1970s, 735,000 in the

1980s, and more than a million since the 1990s (U.S. Department of Homeland Security 2009).

### **Types of Migrants**

Foreigners enter the United States through a front door for legal permanent immigrants, a side door for legal temporary migrants, and a back door for unauthorized entrants. About two-thirds of legal immigrants are family sponsored, which means that family members in the United States asked the government to admit their relatives. There are no limits on the number of immigrant visas available for immediate relatives of U.S. citizens, and 580,000 were admitted in Fiscal Year 2006, but there is a cap on the number of immigrant visas available to relatives of permanent residents and more distant relatives of U.S. citizens (only 222,000 were admitted in 2006), resulting in long waits for visas. For example, Mexican spouses of U.S. immigrants had to wait six years for immigrant visas in 2008, and the wait for Mexican adult brothers and sisters of U.S. citizens was 13 years.<sup>16</sup>

Legal temporary migrants are foreigners who come to the United States to visit, work, or study. There are no limits on most types; the United States willingly accepted more than 30 million tourists and business visitors in 2006. Temporary foreign students and workers are more controversial. In the aftermath of the terrorist attacks of September 11, 2001, the U.S. government required foreign students to be interviewed personally before receiving visas to study in the United States and to pay a fee to support a database that tracks them while they are studying in the states.

Guest workers receive visas that tie them to a U.S. employer and specify how long they can stay. Holders of H-1B visas have at least a college degree and fill a job that normally requires a college degree. Most H-1B guest workers are Indians employed in computer-related jobs. Each can stay up to six years and “adjust” to regular immigrant status if their U.S. employer deems them uniquely qualified to fill the job.

It is easy for U.S. employers to have H-1B guest workers admitted; they simply attest that they are paying the prevailing wage and satisfying other conditions, and their request is almost automatically approved.

In 2001, Congress set an annual cap of 65,000 on the number of H-1B visas available to most employers, but there is no limit on the number for workers employed by nonprofit organizations such as universities. The number admitted on H-1B visas doubled from about 100,000 to 200,000 in the 1990s and almost doubled again to just under 400,000 in 2004, as Congress raised the cap temporarily at the request of high-tech firms.<sup>17</sup> Employers want far more than 65,000 H-1B visas to be available, and Microsoft founder Bill Gates has joined the chorus of those who say the cap should be eliminated entirely (McCullagh 2005). Critics of the H-1B program say that the easy availability of H-1B visas has discouraged Americans from studying and working in science and engineering fields (Teitelbaum 2003).

Unauthorized foreigners are persons in the country in violation of U.S. immigration laws. Demographer Jeff Passel estimated there were 11 million unauthorized foreigners in 2005, with the number increasing by 525,000 a year (Passel 2006a). There were 37 million foreign-born U.S. residents in 2005, of which 31 percent were naturalized U.S. citizens, 39 percent were legal immigrants and temporary visitors, and 30 percent were unauthorized. Somewhat over half of the unauthorized foreigners entered the country by evading border controls, and the rest entered legally but did not leave as required (Passel 2006b).

The Department of Homeland Security (DHS) is responsible for preventing unauthorized foreigners from entering the nation and for finding and removing those here illegally. The department's Customs and Border Protection agency includes the Border Patrol, which has more than 12,000 agents to apprehend foreigners attempting to enter the United States between designated ports of entry. In recent years, Border Patrol agents have been apprehending about 1.3 million foreigners a year, and 85 percent of these are Mexicans caught just inside the Mexico–U.S. border. In addition, some 208,500 foreigners were removed or deported from the United States in 2005, 70 percent of which were Mexican.<sup>18</sup>

## **Economic Impacts**

Most immigrants come to the United States for economic opportunity. As they go to work, immigrants affect the U.S. economy and

labor market. Most working-age immigrants find jobs, earn and spend most of their wages, pay taxes, and consume public services. In doing so, immigrants expand employment and the economy while slightly depressing wages or the growth in wages, especially for workers similar to the immigrants. With more workers, profits rise, and the entire economy is larger as a result of immigration.

In 1997, the National Research Council emphasized that the main beneficiaries of immigration are the immigrants themselves, who earn higher wages than they could in their home countries, followed by their U.S. employers. Skilled U.S. workers and affluent consumers also benefit from the presence of unskilled immigrants, for example, when professionals hire migrants to do household work or pay slightly less in restaurants because migrants hold down wages. The net economic benefits of legal and illegal immigration were estimated to be \$1 billion to \$10 billion in the mid 1990s, meaning that U.S. gross domestic product was increased by this amount because of immigration (Smith and Edmonston 1997). Proponents of immigration stress that the immigrant effect was positive; opponents stress that the overall impact was negligible because the then \$8 trillion economy was expanding by 3 percent, growing by \$240 billion a year or by \$10 billion every two weeks.<sup>19</sup>

Immigration has a small, yet positive overall economic effect, making the major economic questions about immigration distributional, such as who benefits and who suffers from immigration? In general, immigrants are different from those born in the United States in their level of education, so they will have uneven effects on U.S.-born workers.

The best single predictor of U.S. income is years of education. Some 30 percent of immigrants who arrived since 1990 and were 25 or older in 2002 had at least a college degree, compared with 24 percent of U.S.-born Americans in the same age category. At the other end of the education distribution, 34 percent of the immigrants did not finish high school as compared with 16 percent of U.S.-born adults (U.S. Census Bureau 2005).

The differences between immigrants and those born in the United States are clear: the educational profile of U.S.-born adults features a bulge in the middle, reflecting the 62 percent of Americans with a high-school diploma but no college degree. Immigrants, on the other hand, divide into three distinct groups of about equal size: college graduates,



high-school graduates, and those with less than a high-school diploma. The large share of immigrants with less than a high-school diploma has raised concerns about the impact of immigrants on low-skilled U.S. workers and about the balance of their taxes paid relative to tax-supported benefits received.

## **LABOR-MARKET EFFECTS**

Immigration adds workers who change U.S. wages, prices, and profits. The President's Council of Economic Advisers summarized the labor-market effects of immigrants as follows: "Although immigrant workers increase output, their addition to the supply of labor . . . [causes] wage rates in the immediately affected market [to be] bid down . . . Thus, native-born workers who compete with immigrants for jobs may experience reduced earnings or reduced employment" (Council of Economic Advisers 1986, p. 221).

Most research interest and policy concerns focus on how immigrants affect those near the bottom of the labor market. Governments have long protected vulnerable low-wage workers by establishing minimum wages, regulating hours of work, and allowing workers to join unions and bargain for higher wages with their employers. The 1960s War on Poverty and civil rights movement reinforced the U.S. commitment to improving conditions at the bottom of the labor market, which resulted in the creation of employment and training programs that enable workers to improve their skills and earnings as well as affirmative-action programs for groups that suffered discrimination in the past.

### **Economic Studies**

Economists and other social scientists have used three kinds of studies to examine the labor-market effects of immigrants in detail: 1) case studies, 2) econometric studies, and 3) economic-mobility or integration studies.

Case studies examine the impacts of immigrants in a particular industry or occupation, not the overall economy. When unionized farm

workers in southern California went on strike for a wage increase in 1982, many were replaced by unauthorized newcomers recruited to break the strike by labor contractors. The displacement of union workers in this case was a result of a competition between employers. The unionized harvesting association lost business and laid off workers as growers turned to labor contractors who hired non-union and often unauthorized workers to get their lemons picked. Eventually, the unionized harvesting association went out of business, and the wages of lemon pickers declined (Mines and Martin 1984).

Case studies show that immigrants can displace workers and depress wages by adding vulnerable workers to the labor force. This scenario conforms to accepted labor-market theory, but as the lemon example shows, immigration's effects on wages and employment can be indirect and thus hard to measure. One reason is that many workers are hired via networks, meaning that current workers bring friends and family to fill vacant jobs. Once a cross-border network takes over the recruitment of new workers to fill job vacancies in a particular workplace, local workers may not learn about them as immigrants recruit new workers from abroad. An example of network hiring via contractors was when the owners of office buildings in Los Angeles replaced unionized black janitors with immigrants hired through cleaning contractors in the 1980s and 1990s (General Accounting Office 1988, pp. 39–41).

Other case studies show how an industry can introduce immigrants to an area via recruitment networks. The U.S. meat industry employs about 500,000 workers to turn cattle, hogs, sheep, and poultry into meat and other products, and it has shifted from cities such as Chicago to more rural areas in the Midwest and Southeast over the past quarter century. Plants became fewer and larger, and they often sought to operate 16 hours a day with two “disassembly” shifts in areas with relatively few workers, and wages were much lower than those paid in cities, where workers had other job options. Many of these plants recruited immigrants, and today about half of the workers in meatpacking are Hispanic (Equal Employment Opportunity Commission 2008).

Case studies emphasize how contractor recruitment, networks, and industry shifts interact to transform particular workplaces or industries, whereas econometric studies consider how immigration, wages, and employment interact in a city's labor market, usually by comparing cit-

ies with higher and lower shares of immigrant workers. Econometric studies begin with the assumption that, if the presence of immigrants depresses wages or displaces workers, cities with a higher share of immigrants in their labor forces should have lower wages or higher unemployment rates, especially for similar U.S. workers. Thus, econometric studies typically compare wages and unemployment rates for blacks, Hispanics, and women in cities with relatively more and fewer immigrants, such as Los Angeles and Minneapolis, expecting to find lower wages or higher unemployment in the area with more immigrants (Los Angeles in this example).

During the 1980s, to the surprise of economists, econometric studies found few of these expected negative labor-market effects. For example, a comparison of the wages and unemployment rates of black workers in Miami and other cities such as Atlanta and Tampa found no significant differences, even though the 1980 Mariel boatlift increased the Miami labor force by 7 percent in just four months (Card 1990). Several reasons for finding no adverse effects were offered, including the fact that jobs were created to build housing for the newcomers and that Cuban newcomers and local blacks did not compete for the same jobs; for example, few Cuban newcomers got government jobs. Economist George Borjas summarized the 1980s research literature by concluding, "Modern econometrics cannot detect a single shred of evidence that immigrants have a sizable adverse impact on the earnings and employment opportunities of natives in the United States" (Borjas 1990, p. 81).

As more data became available in the 1990s, researchers began to realize that, instead of staying in "immigrant cities," U.S. workers who competed most directly with immigrants moved away from immigrant cities or did not move to them. As a result, the effects of immigration on wages or unemployment were quickly diffused throughout the country rather than being measurable in an immigrant city such as Los Angeles or Houston. Furthermore, the "similar U.S. workers" who remained in "immigrant cities" often did not compete directly with immigrant workers, such as when blacks and women worked for government agencies at wages negotiated by collective bargaining or set by federal, state, or local governments that did not respond immediately to an influx of immigrant workers. If some of the U.S. workers who compete

with newcomer immigrants move away, and the workers who remain are sheltered from immigrant wage effects, it is very hard to detect the expected effects of immigrants in comparisons of city labor markets (Borjas 1994a, 1999).

Measuring the impacts of 22 million foreign-born workers on 127 million U.S.-born workers is no easier when foreign-born workers differ significantly in education and location. The expected labor-market effects of adding immigrants to the labor force—slower wage growth and higher unemployment among similar workers—tend to be small and very hard to measure, especially because U.S. residents are mobile and labor markets are flexible. Indeed, if immigrants move to fast-growing cities, city comparison studies may suggest that immigration benefits similar U.S. workers (Borjas and Katz 2005). The difficulty in measuring immigrant impacts, and the different conclusions reached by economists such as George Borjas, who believes that immigrants reduce the wages of similar U.S. workers, and David Card, who does not, ensures a continuing debate on their effects (Lowenstein 2006).

Economic-mobility or integration studies examine how immigrants and their children are faring in the United States. Immigrants earn just over 75 percent as much as U.S.-born workers. In 2007, their median weekly earnings were \$554 versus \$722 for U.S.-born workers (U.S. Department of Labor 2008). Lower earnings for newcomers who may not know English or have U.S. work experience are not surprising; the question is whether the earnings of immigrants catch up to those of U.S.-born workers over time, suggesting economic integration.

Economist Barry Chiswick studied the earnings trajectories of immigrant men who were in the United States in 1970. Chiswick found that the earnings of immigrant men were initially 10 percent lower than those of U.S.-born men of similar age and level of education. However, the earnings of immigrant men rose faster, and after an average 13 years in the United States, they had earnings equal to those of similar U.S.-born men, and after 23 years, the immigrants earned 6 percent more (Chiswick 1978). Chiswick's study provided evidence for the fresh-blood argument that immigration benefits the United States because the extra drive and ambition that leads people to cross national borders and begin anew expands the U.S. economy and raises average earnings.

A decade later, economist George Borjas concluded that Chiswick's findings applied to a unique set of circumstances. Most of the immigrants in the United States in 1970 were Europeans or well-educated Asians who initially earned less than comparably educated U.S. men, but they caught up as they learned English and gained U.S. work experience. However, later cohorts of immigrants who arrived with far less education, such as legal and unauthorized Mexican immigrants, started their American journeys with much lower earnings than earlier immigrants. The earnings of Mexicans did not rise as fast, leading Borjas to conclude that continued Latin American immigration would lead to widening gaps between immigrants and native-born Americans (Borjas 1994b).<sup>20</sup>

## Entrepreneurship

Economists tend to look at earnings to measure economic integration, but some social scientists emphasize other indicators, such as entrepreneurship and the creation of new businesses. Immigrant-owned businesses are highly visible in many cities, from ethnic restaurants and shops to gardening and cleaning services. With immigrants often willing to work long hours, sometimes creating jobs for family members and other immigrants from their countries of origin, some commentators say that immigrant energy can revitalize cities (Aronson 1997, pp. 11–12; Portes 1995, p. 29). Many Cubans in Miami, for example, began businesses to serve other Cubans in an “ethnic enclave” that is now seen as an economic incubator (Portes and Bach 1985).

Entrepreneurship is hard to measure, and self-employment is often used as a proxy measure for those who begin their own businesses. About 13 percent of U.S.-born workers were self-employed in 2005 (a broad category including, for example, farmers, doctors, and lawyers), as were 11 percent of foreign-born workers. Rates of self-employment were especially high among some groups: 28 percent of those born in Korea were self-employed in the United States, as were 20 percent or more of those born in Russia and Iran (Camarota 2005). Self-employment normally declines with economic development, especially as farmers leave the land for urban jobs in factories and offices. However, in the new service economy, it has become easier to be self-employed, and

immigrants may be in a unique position to spot opportunities (Camarota 2005).

In the end, though, it is not clear that self-employment is a sign of immigrant economic success. In fact, self-employment tends to increase during recessions, as some ex-farmers return to the land in developing countries and some laid-off executives become self-employed consultants in more developed countries (Borjas 1990; Filer, Hamermesh, and Rees 1996).

## IMMIGRATION TRADE-OFFS

Immigration is often characterized as either good or bad for the country, but public policy choices are rarely contests between good and bad. They are instead arguments about which “good” deserves higher priority. For example, raising interest rates can lead to lower inflation, a desirable result, but away from fuller employment, a competing good. Similarly, reducing trade barriers can stimulate exports, helping some employers and workers, but it also increases imports, which can lead to the failure of other businesses and a loss of jobs.

There is no easy way to balance the trade-offs between competing outcomes, and the United States has found it especially hard to deal with trade-offs inherent in the three basic immigration questions:

- 1) How many immigrants should be allowed to enter?
- 2) From which countries and in what status should they come?
- 3) How should the government enforce immigration rules?

Immigrant farm workers provide an example. Americans want to pay low prices for food. They also want farm workers, like other U.S. workers, to have decent wages and working conditions. Congress permitted Mexican farm workers to enter as immigrants and guest workers and tolerated unauthorized migrants, which helped to keep farm wages low but also increased poverty among farm workers. To alleviate this poverty, the federal government spends about \$1 billion a year on special education, health, and housing programs for farm workers and their children.<sup>21</sup>

What is the trade-off between cheap food and decent farm wages? According to the U.S. Bureau of Labor Statistics' Consumer Expenditure Survey, there were 120 million "consumer units" in 2007, and they had an average of 2.5 persons, 1.3 earners, and 1.9 vehicles. These consumer units or households had average annual incomes of \$63,100 before taxes, and their expenditures averaged \$49,600 (U.S. Bureau of Labor Statistics 2008). These household expenditures included \$6,100 for food (12 percent). Food spending was split 57–43 percent, including \$3,500 for food eaten at home (\$67 a week) and \$2,700 for food bought away from home. To put food spending in perspective, other significant expenditures were \$17,000 for housing and utilities, \$8,800 for transportation, \$2,900 for health care, \$1,900 for apparel, and \$2,700 for entertainment (U.S. Bureau of Labor Statistics 2008).

The largest at-home food expenditures were for meat and poultry, totaling \$777. Expenditures on cereal and bakery products, \$460, exceeded the \$387 spent on dairy products. Expenditures on fresh fruits (\$202) and fresh vegetables (\$190) totaled \$392, or \$7.50 a week (consumer units spent an additional \$112 on processed fruits and \$96 on processed vegetables). The average consumer unit spent more on alcoholic beverages, \$457 (or \$8.75 a week), than on fresh fruits and vegetables (U.S. Bureau of Labor Statistics 2008).

Farmers get a small share of the retail food dollar, an average of 19 percent. In 2006, farmers received an average 30 percent of the retail price of fresh fruits and 25 percent of the retail price of fresh vegetables, so consumer expenditures of \$392 meant \$109 to the farmer ( $[0.3 \times \$202 = \$61] + [0.25 \times \$190 = \$48] = \$109$ ). Farm labor costs are typically less than a third of farm revenue for fresh fruits and vegetables, meaning that farm worker wages and benefits for fresh fruits and vegetables cost the average consumer unit \$36 a year (U.S. Department of Agriculture 2008a).

Although strawberries are picked directly into the containers in which they are sold, and iceberg lettuce gets its film wrapper in the field, farmers and farm workers get a very small share of the retail dollar. Consumers who pay \$1 for a pound of apples are giving 30 cents to the farmer of which 10 cents goes to the farm worker; those spending \$2 for a head of lettuce are giving 42 cents to the farmer and 10 cents to the farm worker (U.S. Department of Agriculture 2008a).

If the influx of immigrant workers was slowed or stopped and farm wages rose, what would happen to expenditures on fresh fruits and vegetables? In 1966, the fledgling United Farm Workers union won a 40 percent wage increase for table grape harvesters, largely because Bracero workers (temporary contract laborers from Mexico) were not available. The average earnings of field workers were \$9.40 an hour in 2007, according to a U.S. Department of Agriculture survey of farm employers, and a 40 percent increase would raise the average to \$13.15 an hour. If this wage increase were passed on to consumers, the 10-cent farm labor cost of a pound of apples would rise to 14 cents, and the retail price would rise to \$1.04 (U.S. Department of Agriculture 2008b).

For a typical household, a 40 percent increase in farm labor costs translates into about a 4 percent (3.6 percent) increase in retail prices for fresh fruits and vegetables.<sup>22</sup> If farm wages rose 40 percent and were passed fully to consumers, average spending on fruits and vegetables would rise by \$14 a year (3.6 percent  $\times$  \$392). However, for a typical seasonal farm worker, a 40 percent wage increase could raise earnings from \$9,400 for 1,000 hours of work to \$13,150, lifting him or her above the federal poverty line for an individual.

Are the savings on fresh produce due to immigration worthwhile? Under the present arrangement, the migrants are better off, earning more in the United States than they would at home. U.S. farmers and their bankers are also better off, enjoying higher profits and higher land prices. Consumers of U.S. commodities pay less for fresh produce. The critical question is whether these benefits are more valuable than having farm work performed and rewarded like other work in America. The way this question is answered affects U.S. immigration policy, especially with respect to Mexico.

## **CONCLUSIONS: IMMIGRATION AND VERNON BRIGGS**

Immigration means change—in the number and type of people and workers in a country, in the structure and functioning of labor markets, and in the welfare of residents and workers. Migration has interrelated cultural and political as well as economic dimensions, as demonstrated



by this chapter's discussion of recruiting networks and migration management. At the same time, the economic and labor-market effects of migrants are often difficult to measure, which prompts some to conclude that there are few such effects.

Vernon Briggs has long been concerned about low-wage and minority workers. His scholarship demonstrates that periods of low immigration and rapid economic growth, such as the 1960s, reinforce governmental poverty-reduction efforts and enable a rising tide to lift most U.S. workers up the U.S. job ladder (Briggs 2003). His work also documents that unauthorized migration surged in the 1990s, in part a consequence of flawed policy initiatives, as the real wages of U.S. workers with little education and few skills declined, even as their share of the labor force diminished (Briggs 2005).

Briggs deserves our gratitude for pioneering efforts to analyze these trends and to educate and inform policymakers and the public about the links between increased immigration and low-wage workers. The unauthorized foreigners who arrived in the 1990s are having U.S.-born (and thus U.S.-citizen) children, and a future Vernon Briggs will likely develop policy options to help them climb the U.S. job ladder.

## Notes

1. Charles C. Lemert says there were fewer than 50 nation-states in 1900 (Lemert 2005, p. 176).
2. Data were obtained from the Web sites of government immigration agencies that were accessed in August 2007.
3. A *Wall Street Journal* editorial on July 3, 1986, first made the open borders proposal, which was repeated in an editorial on July 3, 1990.
4. The National Front candidate, Jean Marie Le Pen, received 15 percent of the vote in the first round of presidential voting in 1995 (Fekete 1995).
5. The average woman in developing countries has 3.5 children (excluding China), versus 1.5 children per woman in developed countries. According to the Population Reference Bureau (<http://www.prb.org>), the world's fastest growing population is in Gaza, where the population growth rate is 4.5 percent a year, and the fastest shrinking population is in Russia, where the population is declining by 0.5 percent a year.
6. Young people are most likely to move over borders because they have the least invested in jobs and careers at home and the most time to recoup their "investment in migration" abroad.

7. Average global per-capita income was \$7,000 per person. At purchasing power parity, which takes into account national differences in the cost of living, the world's gross national income was \$56 trillion or \$9,400 per capita—\$32,500 per capita in the high-income countries and \$5,200 in low- and middle-income countries (World Bank 2009).
8. Taxes are extracted from agriculture by monopoly input suppliers who sell seeds or fertilizers at high prices or by monopoly purchasers of farm commodities who buy from farmers at less-than-world prices and pocket the difference when the coffee, cocoa, or other commodity is exported. In high-income countries, farmers' incomes are generally higher than those of nonfarmers, in part because high-income countries transfer funds to producers of food and fiber.
9. For example, this is evident in Chinese coastal cities, where internal rural–urban migrants fill 3-D jobs, and abroad, where Chinese migrants are employed in industries that range from services to sweatshops (*Migration News* 2008).
10. These farm worker recruitment networks are examined in *Rural Migration News*. See <http://migration.ucdavis.edu/rmn/index.php>.
11. Even if migrants know that movies and TV shows portray exaggerated lifestyles, migrants who find themselves in slave-like conditions abroad sometimes say they did not believe things in rich countries could be “that bad.”
12. The goal is to prevent so-called asylum shopping, such as when an asylum seeker from Turkey passes through Bulgaria and Romania en route to Germany and applies for asylum because conditions for asylum applicants and rates of recognition are better in Germany (Da Lomba 2004).
13. A federal judge stopped implementation of Proposition 187 (which was approved by a 59 to 41 percent margin in November 1994), but some of its provisions were included in 1996 federal immigration reforms (see *Migration News* 1994).
14. Details of the three U.S. laws enacted in 1996 can be found at *Migration News* (<http://migration.ucdavis.edu>). One provision that was eventually dropped would have made legal immigrants deportable if they received more than 12 months of welfare benefits.
15. The exceptions are Native Americans, slaves, and those who became U.S. citizens by purchase or conquest, such as French nationals who became Americans with the Louisiana Purchase, Mexicans who became Americans with the settlement ending the Mexican War, and Puerto Ricans who became U.S. citizens as a result of the American victory over Spain in 1898.
16. Waiting lists are published in the Department of State *Visa Bulletin*, available at [http://travel.state.gov/visa/frvi/bulletin/bulletin\\_1360.html](http://travel.state.gov/visa/frvi/bulletin/bulletin_1360.html).
17. In addition to the H-1B cap exemption for certain nonprofits, up to 20,000 foreign students a year who earn master's degrees and doctorates from U.S. universities can receive H-1B visas. As a result, the number admitted each year exceeds 100,000. An H-1B visa holder can later become an immigrant if he or she qualifies on the basis of family unification or employment.
18. Annual DHS reports entitled “Immigration Enforcement Actions” can be found at <http://www.dhs.gov/ximgtn/statistics/publications/index.shtm>. Almost all apprehended Mexicans “volunteer” to return to Mexico. Those caught so many times

they appear to be smugglers may be prosecuted by U.S. authorities. In the investigation of the firings of eight U.S. attorneys in December 2006, it was reported that, in most border districts, the same individual had to be apprehended at least six times before being prosecuted by the U.S. Attorney's office (see *Migration News* 2007b).

19. By 2005, the U.S. economy was growing by about \$15 billion in two weeks.
20. Between 1970 and 1990, the share of U.S. men without a high-school diploma by age 25 fell from 40 percent to 15 percent; the share of immigrant men without a high-school diploma fell from 48 percent to 37 percent (Borjas 1994b).
21. The evolution and effectiveness of these programs is examined in Martin and Martin (1993).
22. The calculation is as follows. If farmers receive an average 27.8 percent of the retail price of fresh fruits and vegetables (\$109/\$392), and give a third of what they get to farm workers, then the farm worker share of the retail dollar is 9 percent ( $0.278 \times 0.33 = 9$  percent). If farm labor costs rise 40 percent, then  $0.4 \times 9$  percent yields a 3.6 percent rise in retail prices.

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# **Human Resource Economics and Public Policy**

**Essays in Honor of  
Vernon M. Briggs Jr.**

Charles J. Whalen  
*Editor*

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